

## Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 XMB-02 TRSE-00  
AGRE-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00  
ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03 PA-01  
SP-02 SS-15 OMB-01 AID-05 NEA-11 DOE-15 SOE-02  
EB-08 DOEE-00 HA-05 /122 W  
-----058535 022205Z /15

O 022026Z JUN 78

FM AMEMBASSY KINSHASA  
TO SECSTATE WASHDC NIACT IMMEDIATE 158  
INFO AMEMBASSY BONN IMMEDIATE  
AMEMBASSY BRUSSELS IMMEDIATE  
AMCONSUL BUKAVU POUCH  
AMEMBASSY LONDON IMMEDIATE  
AMCONSUL LUBUMBASHI IMMEDIATE  
AMEMBASSY PARIS  
US MISSION USUN NEW YORK IMMEDIATE 1579

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 5724

DEPT PASS COMMERCE, EXIM, TREASURY, USDA/OGSM

BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS  
TAGS: EAID, CG, US, EAGR  
SUBJECT: SUGGESTED ECONOMIC ASSISTANCE FOR ZAIRE

REF: (A) KINSHASA 5348 (NOTAL); (B) KINSHASA 5675

1. SUMMARY: ASSUMING THAT USG DECIDES TO GIVE INCREASED  
ECONOMIC ASSISTANCE TO ZAIRE, AND WITH REFERENCE TO THE CONDITIONS  
OF SUCH ASSISTANCE PER KINSHASA 5675, WE RECOMMEND AN INCREASE OF  
\$38.4 MILLION UNDER PL 480 TITLE I AND A \$25 TO \$30 MILLION TRANS-  
PORTATION EQUIPMENT LOAN FOR THE BENEFIT OF THE AGRICULTURAL MARKETIN  
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SECTOR. THE ARAB COUNTRIES APPEAR TO BE THE MOST LIKELY SOURCE FOR  
FINANCING PETROLEUM REQUIREMENTS. END SUMMARY.

2. REFTTEL REFLECTED THAT ASSUMING (A) ZAIRE'S IMPORT VOLUME  
REMAINS UNCHANGED FROM 1977, (B) 1978 OFFICIAL DEBT IS  
RESCHEDULED ALONG LINES OF THE 1977 AGREEMENT, (C) OFFICIAL OR  
DE FACTO RESCHEDULING OF ZAIRE'S PRIVATE DEBT, WITH NO SIGNIFI-

CANT PAYMENTS MADE IN 1978, AND (D) DRAWDOWN OF THE APPROXIMATELY \$85 MILLION IN THE BLOCKED BIS ACCOUNT, ZAIRE WOULD STILL HAVE A FINANCING GAP OF APPROXIMATELY \$140 MILLION. WE STATED THAT THIS FINANCING GAP WILL FAIL EITHER ON BILATERAL ASSISTANCE AND/OR REDUCED IMPORTS BELOW ALREADY DEPRESSED LEVELS.

3. FROM A LOGISTICAL STANDPOINT THE SIMPLEST MEANS OF BRIDGING THE FINANCIAL GAP WOULD BE TO FINANCE ZAIRE'S PETROLEUM IMPORTS, FOR WHICH THE DEMAND IS APPROXIMATELY \$180 MILLION YEARLY, OR \$90 MILLION FOR THE SECOND HALF OF 1978. HOWEVER, BECAUSE OF THE LACK OF FOREIGN EXCHANGE FOR THE PAST SEVERAL YEARS ZAIRE'S PETROLEUM IMPORTS HAVE BEEN HELD TO THE LEVEL OF APPROXIMATELY \$100 MILLION YEARLY OR \$50 MILLION FOR THE SECOND HALF OF 1978, ASSUMING IMPORTS CONTINUE AT THE PRESENT LEVEL. THE USG HAS RECENTLY AGREED TO PROVIDE \$2 MILLION FOR PETROLEUM IMPORTS UNDER FMS CREDITS. ALTHOUGH THIS WILL BE USED FOR MILITARY CONSUMPTION, IT WILL INDIRECTLY EASE THE DOMESTIC SITUATION. USG ASSISTANCE PROGRAMS DO NOT APPEAR TO OFFER MUCH SCOPE FOR ADDITIONAL FINANCING OF ZAIRE'S PETROLEUM REQUIREMENTS. HOWEVER, FINANCING OF PETROLEUM PRODUCTS WOULD APPEAR TO BE IDEALLY SUITED TO OIL-PRODUCING COUNTRIES SUCH AS SAUDI ARABIA, KUWAIT AND THE UNITED ARAB EMIRATES.

4. FOLLOWING THE LAST SHABA INVASION, SAUDI ARABIA REPORTEDLY INDICATED THAT IT WISHED TO GIVE ECONOMIC ASSISTANCE TO ZAIRE BUT, IN ORDER TO ENSURE THAT IT WAS UTILIZED WISELY, INTENDED  
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TO GIVE ONLY PROJECT ASSISTANCE IN CONNECTION WITH AN AGENCY, SUCH AS THE WORLD BANK, WHICH WOULD ENSURE THAT IT WAS PROPERLY UTILIZED. RECENTLY THE SAUDI ARABIAN GOVERNMENT ANNOUNCED THAT IT WOULD EXTEND TO ZAIRE \$66 MILLION IN PROJECT ASSISTANCE IN CONNECTION WITH WORLD BANK PROGRAMS IN THE AGRICULTURE AND TRANSPORT SECTORS. WE SUGGEST THAT, IN VIEW OF THE EMERGENCY SITUATION, SAUDI ARABIA AND/OR OTHERS MIGHT WISH TO CONSIDER PROVIDING PETROLEUM PRODUCTS IN KIND SO AS TO MEET ZAIRE'S NEEDS. PROVISION OF PETROLEUM PRODUCTS RATHER THAN CASH SHOULD ENSURE THAT FUNDS ARE NOT DIVERTED. PROVISION OF ADEQUATE PETROLEUM SUPPLIES FOR THE INTERIOR WOULD PROBABLY BE THE MOST BENEFICIAL SINGLE MEASURE, IN THE SHORT RUN, IN INCREASING ZAIRIAN AGRICULTURAL PRODUCTION.

5. THE MOST APPROPRIATE MEANS FOR THE USG TO GIVE ZAIRE SHORT-TERM ECONOMIC ASSISTANCE APPEARS TO BE BY THE PROVISION OF FOOD-STUFFS/FIBERS UNDER THE PL-480 PROGRAM. ZAIRE DOES NOT HAVE THE INFRASTRUCTURE TO HANDLE A MAJOR TITLE II, PL-480 PROGRAM. ALTHOUGH SUCH WOULD PROBABLY BE APPROPRIATE IN SPECIFIC CASES SUCH AS FOR REFUGEES IN SHABA. THE MOST FEASIBLE METHOD OF PROVIDING SHORT-RUN ECONOMIC ASSISTANCE TO ZAIRE WOULD BE THROUGH AN EXPANDED TITLE I, PL-480 PROGRAM, WHICH COULD BE

JUSTIFIED ON HUMANITARIAN RATHER THAN SOLELY POLITICAL GROUNDS.

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C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 5724

DEPT PASS COMMERCE, EXIM, TREASURY, USDA/OGSM

BRUSSELS ALSO FOR USEEC

6. DATA FOR 1977 IS NOT AVAILABLE; HOWEVER, THE VALUE OF COM-  
MERCIAL FOOD/FIBER IMPORTS DELIVERED TO ZAIRE FROM 1973-76  
HAS RANGED FROM A LOW OF \$103 MILLION TO A HIGH OF \$133 MILLION.  
THE PRINCIPAL FOOD/FIBER ITEMS IMPORTED HAVE BEEN WHEAT, RICE,  
CORN, COTTON, SUGAR, MEAT AND FISH. THE MOST APPROPRIATE OF  
THESE ITEMS TO BE INCLUDED IN A U.S. PL-480 PROGRAM APPEAR TO  
BE IN THE FOLLOWING PRIORITIES: WHEAT, RICE, COTTON AND CORN.  
WITHIN THE NEXT SEVERAL DAYS, WE EXPECT TO SIGN A TITLE I,  
PL-480 AGREEMENT WHICH INCLUDES 20,000 MT (2.4 MILLION) OF  
WHEAT, 2,900 MT (10,000 BALES) OF COTTON (\$3 MILLION) AND  
13,000 MT RICE (\$4.6 MILLION).

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7. WE BELIEVE THAT IN THE SECOND HALF OF 1978 THE ZAIRIAN ECONOMY COULD EASILY ABSORB THE FOLLOWING ADDITIONAL QUANTITIES UNDER A TITLE I, PL-480 PROGRAM WHICH COULD BE PROVIDED EITHER BY AN AMENDMENT TO THE EXISTING PROGRAM, AS PART OF A PROGRAM FOR THE NEXT FISCAL YEAR, OR BY A COMBINATION OF BOTH:

WHEAT 70,000 MT \$ 9 MILLION

RICE 40,000 MT \$18 MILLION

COTTON 7,900 MT \$10.4 MILLION

CORN 7,500 MT \$ 1 MILLION

TOTAL \$38.4 MILLION

ABOVE FIGURES SUBJECT TO ADJUSTMENT.

8. PROVISION OF THE ABOVE ADDITIONAL FOOD/FIBER ITEMS WOULD HELP TO BRIDGE THE FOREIGN EXCHANGE GAP AND WOULD HELP TO PREVENT MORE WIDESPREAD MALNUTRITION AND POSSIBLE STARVATION WHICH COULD RESULT FROM THE LOSS OF KOLWEZI'S FOREIGN EXCHANGE EARNINGS.

9. WE RECOGNIZE THAT ONE SIDE EFFECT OF AF SECTOR DETERIORATION HAS BEEN INCREASE IN MALNUTRITION WHICH IS BEING ADDRESSED IN A.I.D. PROJECTS AND IN CURRENT TITLE I IMPORTS. WE ALSO VIEW AS HIGH PRIORITY FOR ADDRESSING IMMEDIATE PROBLEMS WITHIN THE AG SECTOR LACK OF CAPITAL EQUIPMENT AND ROLLING STOCK SUCH AS TRUCKS, HANDLING EQUIPMENT ESTIMATED AT \$25 TO \$30 MILLION TO PROVIDE ADEQUATE FOOD DELIVERY CAPABILITY. WE BELIEVE ADEQUATE PRODUCTION RESPONSE WILL FOLLOW PROVISION THESE INPUTS ALONG WITH OTHER POLICY MEASURES. FINANCING OF POL REQUIREMENTS FROM NON-US SOURCES COULD BE COMPLEMENTARY TO THESE US-FUNDED CAPITAL INPUTS.  
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## Message Attributes

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